

*Child Support:  
How Much is Appropriate?  
Principles in Practice Around the World*

*Heidelberg, Germany  
March 6, 2013*

# Presentation Overview

- Guidelines
  - ✓ History
  - ✓ Model Elements
  - ✓ Models of Choice
  - ✓ State Authority / governance
- Current Issues and Concerns
- New Jersey's recent experience
- New trends / next steps

# History

- First appeared in 1975 in Illinois and Maine
- 1984 Federal requirement for all states to adopt advisory child support guidelines by 1987
- 1988 federal mandated that every state adopt a set of child support guidelines to be used as a “rebuttable presumption” in child support cases

# History

- Statewide child support guidelines
  - ✓ Must have one set of guidelines to be used by all decision makers (i.e., IV-D & non-IV-D cases)
  - ✓ Take into consideration all earnings and income of the noncustodial parent
  - ✓ Must be based on specific descriptive and numeric criteria
  - ✓ Provide for the child's health care needs

# *Income and Expenditures*

- Income –
  - ✓ Self disclosed
  - ✓ Wage / reported / employed
  - ✓ Low income / Disability
- Expenditures / Estimators
  - ✓ Assessment Methodology – economists don't agree
    - Engel
    - Betson
- CEX is the most detailed and best available source of national data on household expenditures upon which economists generally rely to determine what families are spending on children.
  - ✓ Number of children
  - ✓ Multiple fathers
  - ✓ Regional variations

# Estimators

- Engel Estimator
  - ✓ Used budget surveys
  - ✓ Conclude that as a family's size increased (assuming constant family income), the percentage of the family's expenditures devoted to food increased.
  - ✓ As a family's income increased (holding family size constants), the percentage of the family's expenditures devoted to food decreased.
  - ✓ Percentage of a family's total expenditures that was devoted to food was a good criterion for evaluating well being.
- Rothbarth Estimator
  - ✓ Assess children's impact on their parents' consumption.
  - ✓ Level of "excess income" available to them once necessary expenditures on all family members had been made.
  - ✓ Excess income to include luxuries such as alcohol, tobacco, and entertainment, and savings
- CNPP Estimator
  - ✓ Develops economic estimates for the major categories of child-rearing expenditures (i.e., housing, food, transportation, clothing, health care, child care and education, and miscellaneous child-rearing expenditures).
  - ✓ Allocates the expenses.
  - ✓ Does not use a marginal cost method that measure child-rearing expenditures as the difference in expense between equivalent couples with and without children.
  - ✓ Examines direct parental expenses on children through age 17

# Models

## Two Primary Options

- Percent of Income Model
  - ✓ Calculates the child support payment as a percentage of the obligor parent's income alone.
  - ✓ Payment is not affected by the obligee parent's income
  - ✓ Percent of obligor income model exhibits considerable variation
  - ✓ Arise from the definition of income and the percentages applied to that income
- Significant variation in 10 states currently using

# Models

- **Income shares Model**

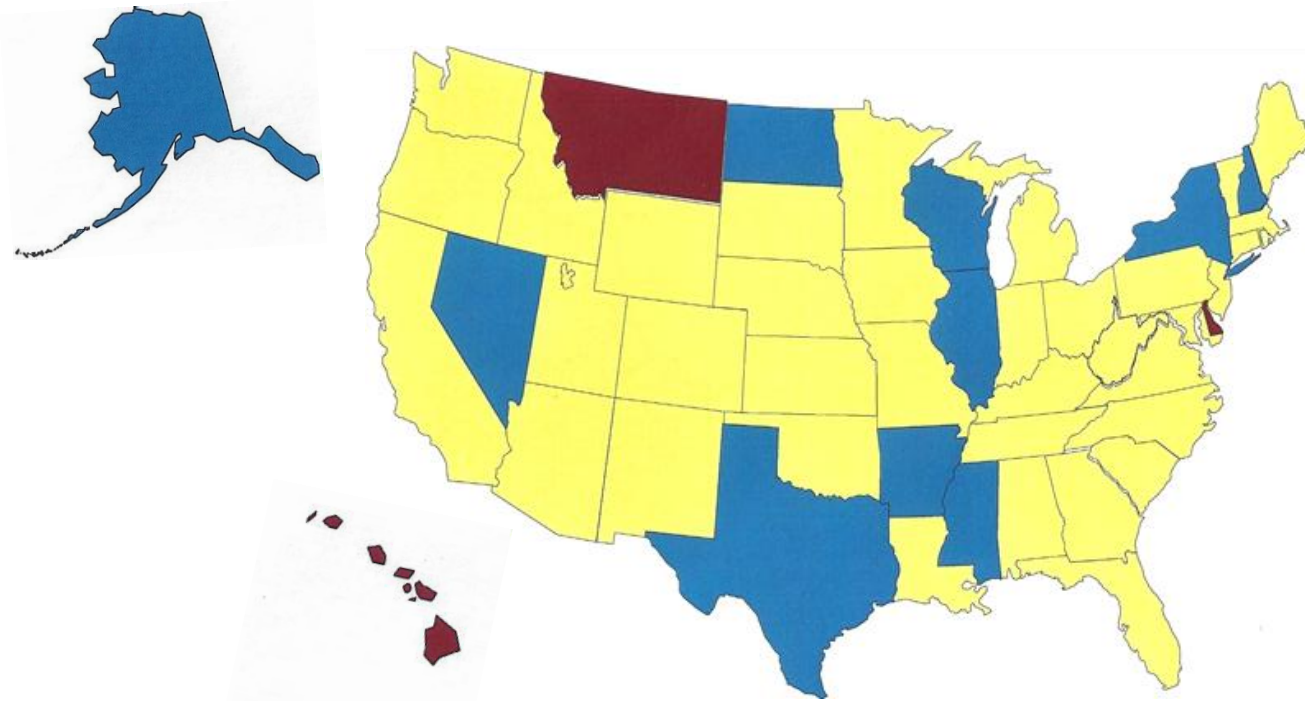
- ✓ What portion of shared/pooled expenses belongs to the children, and what portion belongs to the adults.
- ✓ Comparing what childless households spend versus what households with children spend at every income level
- ✓ “Estimators” to determine the cost of children.




- **Melson Model**

- ✓ More complicated version of Income Shares
- ✓ Provides a primary support allowance a self support and a SOLA



# State Usage of Guidelines Models



-  Income Shares (38 States)
-  Percentage of Obligor Income (10 states)
-  Melson : 3 States (HI, DE, MT)

# *New Jersey Recent Experience*

- Guidelines first adopted in 1986
  - ✓ Authority of the Supreme Court/Court Rules
- Premises:
  - ✓ Calculates child support using both parent's income – Income shares
  - ✓ The child to be entitles to the same amount of expenditures the child would have received had the parents lived together
  - ✓ Revisions: 1996, 2004, proposed for 2013

# *New Jersey Recent Experience*

- Next Quadrennial Review – 2009
  - ✓ Supreme Court, Family Practice Committee with New Jersey Office of Child Support Services (NJOCSS) scheduled two day forum of stakeholders experts and advocates

# *New Jersey Recent Experience*

- Forum addressed
  - ✓ Models
  - ✓ Economics and current impacts of recession
  - ✓ Treatment of high and low income parents
  - ✓ Parenting time
  - ✓ Multiple families
  - ✓ Medical support
  - ✓ Special populations (Incarcerated. Foster care, etc.)

# *New Jersey Recent Experience*

- FPC Recommended Further Detailed Investigation:
  - ✓ Nine areas of concern
  - ✓ Rate of compliance compared to economic realities
  - ✓ Economic uniqueness of New Jersey
  - ✓ Experts be hired
  - ✓ Conduct a thorough review. (2011 – 2013)

# *New Jersey Recent Experience*

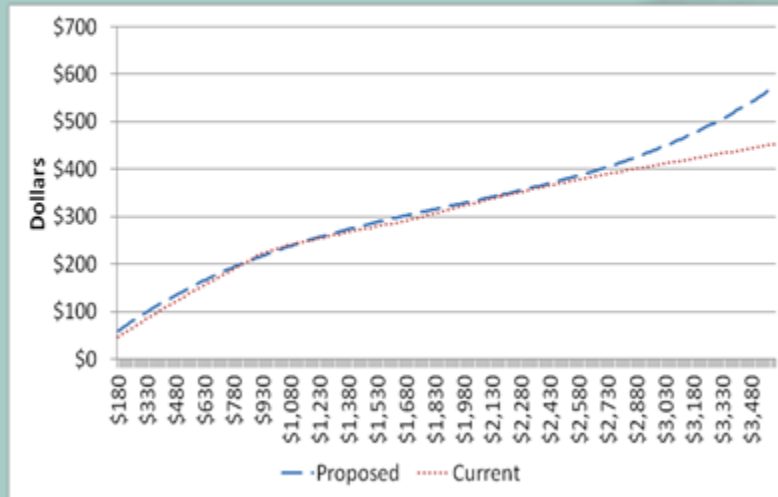
- Nine areas of concern:

- ✓ Whether the current model should be modified to include expenditures by households for mortgage principal and car payment principal
- ✓ Whether the spending categories included in the award amounts can be better defined
- ✓ Whether the percentages for the spending categories used to make adjustments for parenting time (38%, 37%, 25%) are still valid
- ✓ Whether the minimum and maximum income standards for the guidelines should be adjusted up or down
- ✓ Whether the self support threshold should be adjusted
- ✓ Whether the Betson-Rothbarth Marginal Cost Estimator should still be employed
- ✓ Whether the Guidelines should remain based on intact family spending
- ✓ Whether the age adjustments are still viable
- ✓ How to calculate the reduction for healthcare when the parent has no countable income

# Forum Recommendations

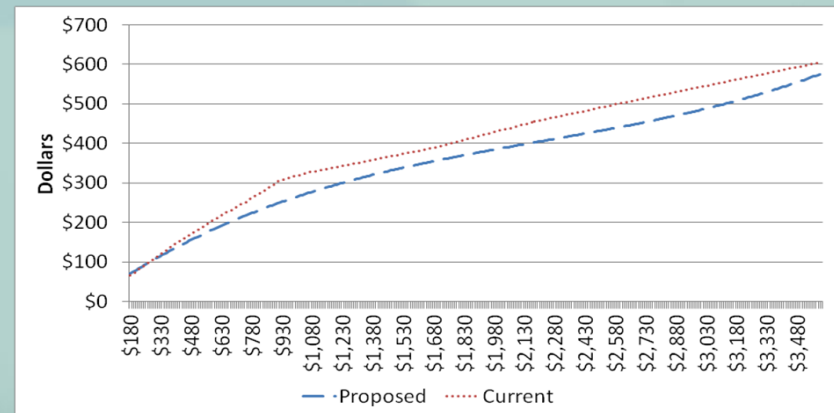
- Significant changes agreed to:
  - ✓ Economic assessment and estimator adjustments
    - 2000 to 2011 – “Boom” years, recession, slow recovery
  - ✓ Lazear and Michaels
  - ✓ Modified estimator
  - ✓ Impact of changes to awards
  - ✓ Derivative benefits
- No Change / No Action
  - ✓ Self support reserve
  - ✓ Medical Support

**Figure 1: Updated Child Support Award Schedule:  
One Child**



Notes: See Table 8 for the actual values and the text for a description of how the schedule was created.

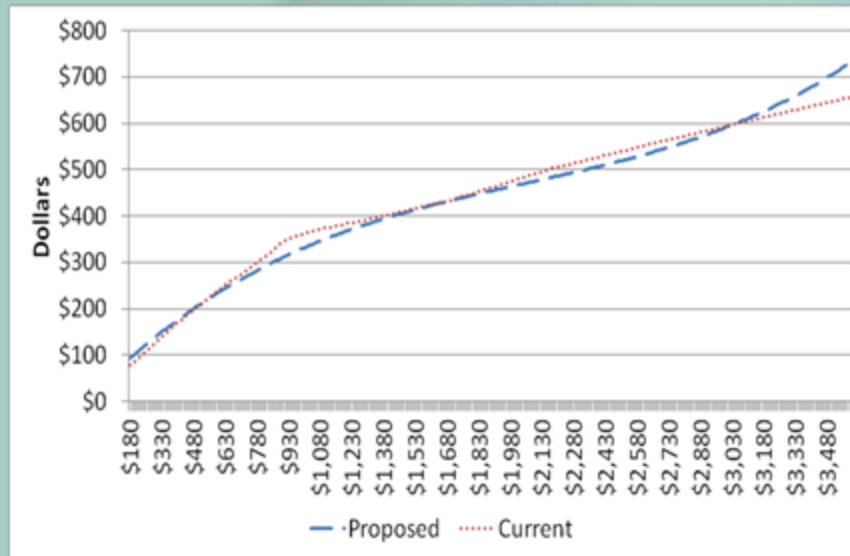
**Figure 2: Updated Child Support Award Schedule:  
Two Children**



Notes: See Table 8 for the actual values and the text for a description of how the schedule was created.



**Figure 3: Updated Child Support Award Schedule:  
Three Children**



Notes: See Table 8 for the actual values and the text for a description of how the schedule was created.

- The main take away from these comparisons is that the proposed schedules for one child tend to yield obligations that are slightly higher than the current schedule. If the obligations for one child exceed the current schedule, they tend to do so at higher net incomes. For two and three children, when the obligations exceed the current schedule, they too tend to be at upper income levels.

# *Trends and Next Steps*

- Child's Financial and Non-Financial Well-Being
  - ✓ Support received, consistent and regular payments
  - ✓ Parent-child contact / parenting time
  - ✓ Automatic Adjustment
- Complex Families
  - ✓ Multiple orders & Families
  - ✓ Kinship care & foster care
  - ✓ Female noncustodial parents
  - ✓ Split case – one party is both CP and NCP
- Fairness & Equity
  - ✓ Timesharing adjustments
  - ✓ Other adjustments (childcare expenses, healthcare, etc.)
  - ✓ Parents with disparate incomes
  - ✓ Compromise programs

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